



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 8/23/2001

GAIN Report #C11005

# **Caribbean Basin**

## **Retail Food Sector**

### **Cayman Islands**

### **2001**

Approved by:

**Margie Bauer**

**Caribbean Basin Agricultural Trade Office**

Prepared by:

Eric Martinez

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#### **Report Highlights:**

**The Cayman Islands is one of the wealthiest countries in the world, and is dependent upon the United States for 85 percent of their food imports. This report provides U.S. exporters with the information they need to successfully position themselves in this market while taking into account the impact of a slowdown in the U.S. economy on the demand for U.S. food imports.**

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Includes PSD changes: No  
Includes Trade Matrix: No  
Annual Report  
Miami [C11], C1

## **SECTION I -MARKET SUMMARY**

A crown colony of Great Britain, the Cayman Islands is one of the most prosperous and politically stable nations in the Western Hemisphere, experiencing annual real GDP growth rates of five percent over the last four years. Consisting of three islands; Grand Cayman, Little Cayman, and Cayman Brac, their total land mass is roughly 1.5 times the size of Washington, D.C. and supports a highly educated population of 35,000 with an expatriate community equal in size.

Enjoying one of the highest standards of living in the world with a per capita GDP of \$24,500, and with 0 percent arable land, the Cayman Islands is forced to import about 90 percent of its agricultural goods. Due to proximity, quality, the composition of tourists, and the popularity of American culture, the United States dominates the agricultural market in the Caymans, by controlling an 85 percent share of their imports. The total amount of agricultural exports to the Caymans in 1999 was valued at \$109 million, of which U.S. exports accounted for \$93 million.

With no direct taxation, the Cayman Islands fosters a thriving off-shore banking industry with more than 40,000 registered companies, 600 banks, and total banking assets exceeding \$500 billion in 1997. Receiving over 1.2 million visitors annually, tourism is by far the largest industry of the Cayman Islands. Tourism accounts for more than 70 percent of GDP. It creates such an abundance of jobs that a large amount of labor must be imported from Jamaica. With per capita tourist expenditure at nearly \$7,500, the tourism industry is considered a luxury market that has so far appeared relatively immune to economic downturns within its largest tourism supply market of the United States. In 2000, 74 percent of visitors were from the U.S., 8 percent from Europe, 5 percent from Canada, and 13 percent from the Caribbean and other regions.

Grossing nearly \$140 annually in sales and expanding at an estimated 10 percent per year, the retail food sector is a cornerstone of the Cayman economy. The growth of this sector can be attributed to the Cayman's high standard of living, as well as a recently concluding boom in construction and tourism. The prosperity of these industries encouraged retail firms to expand and, as a consequence, the market is extremely competitive. With the Cayman Islands' seven supermarkets, 11 gas marts, and many independent wholesale and retail operators looking to increase their market share through product diversification, the result is a lucrative market for new U.S. goods. In addition, gas marts, which cater to the increasing demand for consumer oriented goods have had significant growth.

As the consumption pattern of goods in the retail sector is roughly 60 percent by the local population and 40 percent by tourists, the health of the tourism industry is a key factor in determining the aggregate demand for retail food products. Although this sector has experienced stable growth over the past five years, a recent downturn in tourism and a stagnation of the construction sector may cause a contraction of the overall retail market size. The future growth of the retail sector will not become apparent until the winter tourism season of 2002, when the impact of the slowdown in the U.S. economy will be measurable.

Some of the macroeconomic factors that will affect the retail food sector are the following:

% Effect on Tourism of U.S. Slowdown: If conditions in the United States result in fewer tourists and cause a decline in the crucial tourism industry, the retail sector could endure a substantial blow. Since retail sector firms import 90 percent of their food products from the United States, this could have a negative affect on demand for U.S. food exports.

However, the level of impact of the U.S. economy is unpredictable. As the Cayman Islands is one of the most expensive nations in the Caribbean, it is vulnerable to substitution for a cheaper island in times of hardship. In contrast, the tourism market is driven by an affluent clientele that may be insulated from the U.S. slowdown and will vacation regardless of the state of the overall economy.

% Economic Growth: The Cayman Islands' economy has been expanding at a rate of 5 percent per year. The prosperity of the increasingly high-end tourist market, and a successful off-shore banking industry are the key contributors to this growth.

% Comparative Advantage: The Cayman Islands cannot competitively produce agricultural goods other than niche markets (such as turtle), and are reliant on exports from the United States for 90 percent of its food supply.

Advantages	Disadvantages
The popularity of American culture increases tastes for U.S. food products. Often trends in U.S. retail food markets indicate future market opportunities in the Cayman Islands.	While the U.S. economic downturn has not yet affected the Cayman tourism industry, it could be a crippling blow. With such a large percentage of GDP depending on tourism, if the U.S. supply of tourists declines severely, the demand for U.S. exports will follow in suit.
The Cayman high standard of living allows for U.S. imports to be affordable and demanded.	Most major brands have an established market share, making it difficult to introduce competing products.
The Cayman Islands import 90 percent of their food.	The prediction of increased hurricanes in the next 10 years threatens tourism growth.
Most tourists who visit the Caymans are American, and while on vacation, still demand U.S. goods.	Although not a member, free trade agreements with other members of CARICOM will increase trade within the Caribbean, possibly at the expense of U.S. exports.
With the Cayman currency pegged to the U.S. dollar, the devaluation of the Euro has made it more expensive for European tourists. The composition of the tourism market has become even more predominantly American, further increasing the demand for U.S. food.	High tariff regulations make prices on some food and alcohol products extremely high. With no income taxes, the Cayman government's primary source of revenue is from these import taxes.

The Cayman Islands has one of the most developed infrastructures in the Caribbean, allowing for safe and efficient handling and delivery of product.

With a small number of importers, it may be hard to find an importer that doesn't already represent a competing product.

## **SECTION II-ROAD MAP FOR MARKET ENTRY**

### **A. SUPERMARKETS, HYPERMARKETS, CLUB AND WAREHOUSE OUTLETS**

#### **Entry Strategy**

The seven supermarkets in the Cayman Islands are owned by three companies that also import, distribute, and wholesale both retail and food service products. All are looking to expand their market share by introducing new products. This strategy is guided by the concept that if one chain can offer a product not available anywhere else, the customer demanding it will purchase their entire shopping list while already at the same location. For this reason, all of the supermarkets introduced more than 20 new products last year alone.

These three companies and other wholesale distributors who do not own supermarkets diligently search for new products. Most attend at least one trade show every year, particularly the FMI (Food Marketing Institutes) show and the America's Food and Beverage Show. This is considered the best method to make contact with an importer and initiate market entry. Secondly, contacting the wholesale distributors with a product sample and literature is key. The distributor typically wants an exclusive agreement with the U.S. exporter. In addition, customers demand new products they see advertised on the U.S. television networks or they encounter on trips to the United States.

#### **Tips for All Markets**

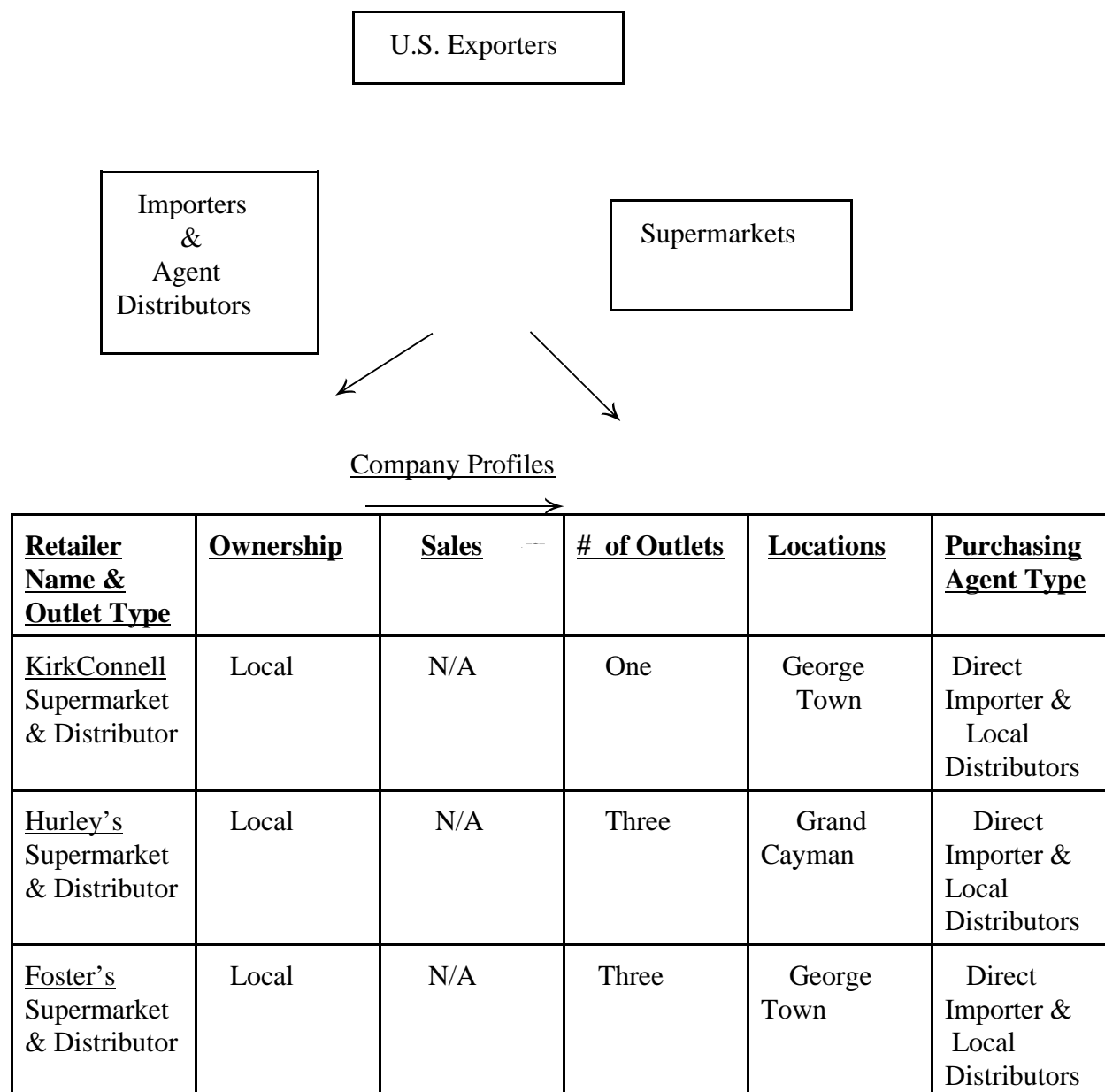
Trends in demand in the Cayman Islands follow that of the U.S., although with a time lag that allows for areas of market growth to be anticipated.

Prior to any tangible steps, the key to a successful market entry is research. As the proximity and commercial reach of the United States floods the Cayman Islands, one should follow trends in American domestic markets, seek niche markets, and always consider the potential tastes and demands of tourists. Most importantly, a visit is necessary to get a feel for the market, and to see how Americanized it is. Develop an excellent visual marketing plan, and begin making contact with retail firms and local distributors.

#### **Market Structure**

The structure of the market in the Cayman Islands is simple and easy to navigate. All three chains of supermarkets import directly from the United States for their own outlet and to distribute to other retail outlets. The remainder of their products are purchased from local distributors.

The majority of the products being imported by the distributors departs from Southern Florida, primarily Miami. Manufacturers and Florida distributors send full container loads. Smaller sized shipments are either added to the Florida distributor's container, or consolidated by a freight forwarder. Customs procedures are very clear, and extremely fast. Most retail firms and distributors receive their goods the same day they arrive.



95 percent of the products sold in the seven supermarkets in the Cayman Islands are imported. Local vegetables and perhaps frozen turtle meat are the only domestic products that are on the shelves. After experiencing a period of sustained growth for the past five years, expansion in the retail sector has tapered off.

Store location in the Cayman Islands is important in determining the ratio of consumption between tourists and locals. However, as the majority of the Cayman economy is tourism related, sales for all stores rise and fall with the tourism seasons and the health of the tourism industry.

## **B. CONVENIENCE STORES, GAS MARTS AND KIOSKS**

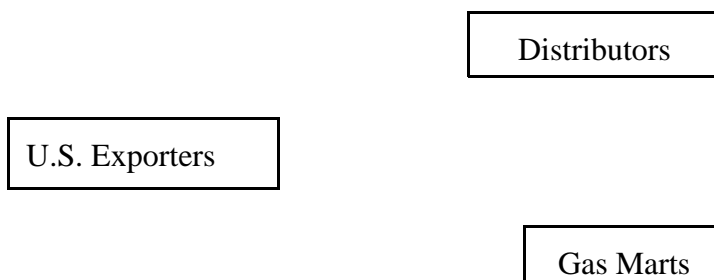
### **Entry Strategy**

Constantly introducing new products to be more competitive, convenience stores/gas marts are a very good market for new U.S. goods. These firms make the vast majority of their profits from the food store, rather than from gas sales. The 11 gas marts/convenience stores in the Cayman Islands have been extremely successful in taking advantage of the growing market for ready-made products. In addition, 100 percent of their products are imported, primarily from the United States.

Owned by individuals franchisers and not the flagship company, these stores frequently do not look beyond the Cayman Islands for new products. Almost all of the new goods they introduce have been presented to them by their distributors or requested by customers that have seen them advertised. Therefore the best point of entry is by making contact with the distributors that supply these stores and market new goods to them.

Follow the same steps as outlined in the entry strategy section for supermarkets, only direct sole attention on the distributors, as none of these convenience stores/gas marts import directly.

### **Market Structure**



### **Company Profiles**

<b><u>Retailer Name &amp; Market Type</u></b>	<b><u>Ownership</u></b>	<b><u>Sales</u></b>	<b><u>No of Outlets</u></b>	<b><u>Locations</u></b>	<b><u>Purchasing Agent Type</u></b>
Texaco	Individual Franchises	N/A	7 Outlets	Grand Cayman	Wholesale Distributor

Esso	Individual Franchises	N/A	4 Outlets	Grand Cayman	Wholesale Distributor
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Very little differentiates these firms. They sell ready-made products such as pizza and hot dogs, and receive an equal amount of revenue from tourists and local residents. This market has been growing at a rate of about 10 percent annually, and more growth in the future can be expected. These stores promote new products through in store advertisement, sales and samples.

### **C. TRADITIONAL MARKETS, "MOM & POP" STORES, AND INDEPENDENT FIRMS**

#### **Entry Strategy**

No traditional markets remain in the Cayman Islands. "Mom and Pop" stores feel some pressure from the large supermarkets but keep most of their relatively small share by providing goods closer to home and at extended hours for customer convenience. Their market share is estimated to be about 10 percent. These firms rarely import directly; they primarily purchase from wholesalers. Therefore, they are best reached by working through the importers.

### **III-COMPETITION**

U.S. products face very little competition from other imported products. With a substantial expatriate community, certain goods, such as Cadbury candy, for example, remain popular and are imported. However, the overwhelming majority of food products are imported from the U.S. via Southern Florida, as the demand in the Cayman Islands is for U.S. products. This is attributed to the tastes of American tourists that like to find familiar products while on vacation, and the strong commercial influences from U.S. television and culture, as well as the cheaper shipping costs relative to Europe.

With limited natural as well as human resources, the Cayman's products have few, if any comparative advantages relative to imported products, and do not present any competition. It also appears that competition for the import market is not significantly price sensitive. Although the Euro has devalued and made European imports cheaper in the dollar pegged Caymans, the volume of European imports has not increased.

### **IV-BEST MARKET PROSPECTS**

Market opportunities exist for the complete range of retail products. Competition from other U.S. brands is the only barrier. U.S. products that have been growing in demand are dairy and meat products. As the spread of Foot and Mouth Disease, as well as Bovine Spongiform Encephalopathy (Mad Cow) in Europe have warranted bans on their importation, American products have benefitted as substitutes. In addition, there has been substantial growth in demand for prepared foods, snack foods, rice, and fish, as well as sugars, sweeteners and bases. The customs department follows U.S. standards and regulations in suit with very few exceptions.

## **V-POST CONTACT AND FURTHER INFORMATION**

**For More Information and an Importer List, Please Contact:**

**Caribbean Agricultural Trade Office  
Foreign Agricultural Service  
United States Department of Agriculture**  
909 SE 1<sup>st</sup> Ave, Suite 720  
Miami, FL 33131  
Phone: (305) 536-5300  
Fax: (305) 536-7577  
email: [cbato@attglobal.net](mailto:cbato@attglobal.net)

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Margie Bauer

Director

Email: [mbaue02@attglobal.net](mailto:mbaue02@attglobal.net)

Graciella Juelle

Administrative Assistant

Email: [gjuelle@attglobal.net](mailto:gjuelle@attglobal.net)

**For more information on the Cayman Islands and Countries around the world, visit:**

Cayman Islands Chamber of Commerce  
Telephone: (345) 949-8090  
[www.cayman.com.ky](http://www.cayman.com.ky)

Foreign Agricultural Service Website  
[www.fas.usda.gov](http://www.fas.usda.gov)

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